



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

April 29, 2011

Via Email and Certified Mail/Return Receipt Requested

Article #7010 1870 0001 3642 0646

Gary Cohen
Acting Director, Office of Oversight
Department of Health and Human Services
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, MD 21244-1850

RE: Louisiana's Request for an Adjustment to the Medical Loss Ratio Standard

Dear Mr. Cohen:

Thank you for your letter of April 19, 2011 wherein you requested additional information regarding our application for an adjustment to the medical loss ratio standard. In response to your request, the Louisiana Department of Insurance (LDI) respectfully submits the following information:

1. Title 45 CFR §158.343 provides that any State that submits a request for adjustment to the MLR standard may hold a public hearing with respect to its application. Please indicate whether the LDI has provided a forum for public input regard the LDI's application for an adjustment to the MLR standard. If there has been public input, please provide copies of the correspondence, comments or other input the LDI has received in connection with its request for an adjustment to the MLR standard.

Response: The LDI did not provide a forum for public hearings relative to its application for an adjustment to the MLR standard.

2. Page 1 of the LDI's transmittal letter notes that "We have had some small carriers leave or discontinue selling in our marketplace since the adoption of the Affordable Care Act." Please identify those issuers, the date each left or discontinued selling health insurance in Louisiana's individual market, and the reasons they gave to the LDI regarding why they were leaving or discontinuing selling in the Louisiana individual health insurance market.

Response: Listed below are issuers who have either left or discontinued selling health insurance in the individual market including the date and reasons therefore.

- Guardian Life Insurance Company of America provided notice of withdrawal from the individual market on January 25, 2011. Withdrawal was due to the lack of a competitive product and the associated long-term decline in the company's medical business. The company specifically stated that their withdrawal was in no way related to health care reform.
- Principal Life Insurance Company provided notice of withdrawal from the small and large group markets on October 19, 2010. The company indicated that, like all companies, they continually monitor their business strategy to ensure a competitive presence in the rapidly changing insurance market and that during a recent review of the company's overall business the difficult decision was made to exit the market.
- National Health Insurance Company provided notice of withdrawal from the individual market on June 9, 2010. The company indicated that after careful consideration of the recently enacted federal healthcare legislation, they determined that they would not be able to meet the requirements set forth by the Patient Protection and Affordable Care Act.

3. Page 2 of the LDI transmittal letter mentions a market conduct data call during which carriers expressed concerns over the maintenance of confidentiality of the data being collected. Please identify what data the issuers thought were confidential.

Response: Data requested to be confidential, proprietary and trade secret included

- the insurer's name;
- the number of individual enrollees by product and total premium information by product for 2010;
- for those issuers who offers coverage with more than 1,000 enrollees:
 - total earned premium for all products in the individual market;
 - reported MLR pursuant to State law for the individual market business in the state for 2008, 2009, and 2010;
 - estimated MLR for the individual market business in the state from January 2008 through December 2008;
 - estimated MLR rebate for the individual market business in the state for 2010 and collectively for 2008, 2009 and 2010;
 - total agent and broker commissions for the individual market business in the state for 2010 and collectively for 2008, 2009 and 2010;

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- net underwriting profit and profit margin for individual market business and combined individual, small and large group business in the state for 2010;
- after-tax profit and profit margin for the individual market in the state for 2010;
- risk-based capital level; and
- whether the issuer provided notice of exit to the Commissioner.

4. Please explain the process, calculations, and assumptions used to generate the 82.5 percent estimated PPACA MLR figure listed for the “2010 Largest Issuer” on page 3 of the LDI’s application.

Response: In response to the market conduct data call, the LDI gathered and utilized data submitted from the largest carrier which is comprised of an indemnity company and a health maintenance organization (HMO). This data included estimated PPACA MLR figures on both the indemnity company and the HMO for the year 2010. The LDI derived the estimated PPACA MLR figure of 82.5 percent by using a simple average calculation. No assumptions were made by the LDI. The LDI simply relied on the data provided by the largest carrier.

5. With respect to page 128 of Appendix I to the 2009-2010 Louisiana Insurance Department Annual Report, please confirm that the page provides the Louisiana individual market business loss ratio (direct losses incurred/direct premium earned) of each issuer who offers coverage in the Louisiana individual market to more than 1,000 enrollees for the last full year for which the LDI has data. If that is not the case, please provide such data.

Response: Page 128 of Appendix I to the 2009-2010 Louisiana Insurance Department Annual Report is comprised of a list of the top 20 insurers and others in the individual market and reflects all major medical and limited benefit premium combined. For example, American Family Life Assurance Company of Columbus, the second company listed with the highest direct premium written, only writes limited benefit products in Louisiana, i.e., accident only, dental, disability, long term care, medicare supplement, etc. This company does not write any major medical business in Louisiana. The data on page 128 of Appendix I was derived from the companies’ annual statements, which data was made available to the LDI and used to complete the annual report.

6. Page 3 of the LDI’s application states that “Issuers have expressed a concern about the payment of rebate dollars to their enrollees and its effect on their companies which could potentially cause their withdrawal from the market. “ Please identify each issuer which made such statement(s), when each issuer made such statement(s), and how likely and imminent the issuer suggested was the withdrawal.

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Response: The above statement was made during an informal discussion that took place about the MLR standards and the consequences resulting therefrom. This statement was general in nature and was not documented or recorded, therefore the identity of the issuer, when the statement was made, and the likelihood and imminence of withdrawal is not available.

We hope this submission sufficiently addresses your questions. Please contact me if you need additional information at (225)342-1355 or via email at cguidry@ldi.state.la.us.

Sincerely yours,

A handwritten signature in black ink, reading "Carol Fowler-Guidry". The signature is fluid and cursive, with the first name "Carol" being the most prominent.

Carol Fowler-Guidry
Assistant Deputy Commissioner
Office of Health Insurance